Y-24

M.A. (Economics)

Time: 2 Hours   Max. Marks: 100

HALL TICKET NUMBER

INSTRUCTIONS

1. **Read these instructions carefully before answering.**

2. Enter your Hall Ticket Number on this page <u>and</u> also on the OMR answer sheet.

3. Answers are to be marked on the OMR answer sheet following the instructions provided there upon.

4. Handover <u>both</u> the question paper booklet and the OMR answer sheet at the end of the examination.

5. Use of non-programmable calculators is allowed.

6. The Question Paper has <u>**two parts**</u> – PART-A and PART-B. There are 100 questions in this paper: 25 questions in PART-A and 75 questions in PART-B. Marks obtained in PART-A will determine the merit rank in case of a tie in the total number of marks obtained.

7. Each correct answer carries <u>one</u> mark.

8. **There is negative marking. Each wrong answer carries -0.33 marks.**

9. This question paper contains 16 pages excluding the cover page. In addition, **two** (17,18) **blank pages for rough work are provided at the end of the question paper marked "ROUGH WORK".** Candidates are allowed to do rough work only on these pages. **Candidates are not allowed to detach these pages from the main booklet.**

M.A. Entrance Examination, June 2012

Department of Economics

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PART-A (Answer all 25 Questions)

1. The Hicksian decomposition of a price increase into the income and substitution effects for normal goods is done by

   A. notionally removing income so as to keep the consumer on the original indifference curve
   B. adjusting income so as to allow the consumer to purchase the same basket of goods as before the price changes
   C. notionally adding income so as to keep the consumer on the original indifference curve
   D. allowing the consumer to purchase more of both commodities than before the price changes.

2. Which of the following models shows the emergence of regional inequalities as a consequence of development process?
   A. Big Push model of Rosenstein-Rodan.
   B. Nurske's model of Vicious Cycle.
   C. Gunnar Myrdal's model of Circular and Cumulative Causation.
   D. Hirschman's Unbalanced Growth.

3. According to Heckscher-Ohlin theorem, in a two-commodity two countries model, free trade can be mutually beneficial if they export commodities according to

   A. their relative comparative cost advantage
   B. Their relative natural resource advantage
   C. Their relative strategic advantage
   D. Their relative factor endowment advantage

4. According to crowding-out hypothesis in public finance

   A. Public investment is complementary to private investment
   B. Public investment is supplementary to private investment
   C. Public investment displaces private investment
   D. Public investment encourages private investment

5. Given the function $f(x) = -7x^2 + 126x - 23$, the value of the second order derivative w.r.t. x when x = 9 is equal to
   A. zero
   B. 12
   C. −12
   D. − 14

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6. Which of the following statements is true in the context of correlation analysis?
   A. Correlation measures the degree of linear association between two variables
   B. There is no distinction between the variables as "dependent" and "explanatory" variables.
   C. Both variables are assumed to be random variables.
   D. All of the above statements are true

7. The Value added method of estimating GDP excludes:

   A. Value of Final Goods
   B. Value of capital Goods
   C. Value of intermediate Goods
   D. Value of Basic Goods

8. For a Cobb-Douglas Utility function $U(X_1, X_2) = X_1X_2$, for given income level and prices of X_1 and X_2 which of the following is true?

   A. the consumer does not exhaust all his income.
   B. the consumer spends all of his income on commodity X_1.
   C. the consumer spends all of his income on commodity X_2.
   D. the consumer spends half of his income on commodity X_1

9. A balanced budget multiplier in the economy is defined as:

   A. An increased spending is matched by increased tax rates and vice versa
   B. An increased spending is matched by increased tax collections and vice versa
   C. An increased spending is matched by an increased deficit financing and vice versa
   D. An increased spending is matched by a decrease in tax collections and vice versa

10. Goods and Service Tax, which is going to be introduced in due course of time in India is aimed at:
    A. including service tax into indirect taxes along with commodity taxes
    B. including customs tariffs with excise duties
    C. creating multiple tax rates with commodities with different elasticities.
    D. creating a unified tax for all goods and services

11. Trade in differentiated products refers to:

    A. Inter-industry Trade
    B. Intra-industry trade
    C. Trade based on economies of scale
    D. Trade based on imitation gaps and product cycles

12. For all positive data sets containing at least one pair of nonequal values the relationship between the Arithmetic Mean (A.M.), Geometric Mean (G.M.), and Harmonic mean (H.M.) is

   A. A.M. ≥ H.M. ≥ G.M.
   B. H.M. ≥ A.M. ≥ G.M.
   C. A.M. ≥ G.M. ≥ H.M.
   D. G.M. ≥ H.M. ≥ A.M.

13. The determinant value of the following matrix

$$\begin{bmatrix} 0 & 6 & 0 \\ 3 & 5 & 2 \\ 7 & 6 & 9 \end{bmatrix}$$

is
   A. 25
   B. 70
   C. −65
   D. −78

14. In IS-LM framework, IS curve represents a relationship between
   A. Savings and Income
   B. Interest Rate and Investment
   C. Interest Rate and Income
   D. Interest Rate and Consumption

15. Given the demand function Q = 20 − 5P, the elasticity of demand at P = 3 is

   A. − 1
   B. 5
   C. − 3
   D. 0

16. Ricardo's theory of comparative advantage is based on:
   A. The opportunity Cost theory
   B. The law of diminishing returns
   C. The labour theory of Value
   D. All of the above

17. Human Development Index (HDI) is a measure that combines:

   A. Nutritional Status, Quality of Life and Per Capita GDP
   B. Poverty, Life Expectancy and Education Attainment
   C. Life Expectancy, Educational Attainment and Per Capita GDP
   D. Inflation, unemployment and per capital GDP

18. Functions of the Finance Commission explicitly include:
    A. Distribution of net proceeds of taxes between Centre and the States.
    B. Distribution of Grants-in Aid to the states.
    C. Advise State Finance Commissions and Seek resources to Local Bodies
    D. All of the above

19. Which of the following statements is true about the Median as a measure of central tendency?
    A. The value of the Median is less affected by the sampling fluctuations than the Arithmetic Mean
    B. It is possible to determine the combined Median of two or more sample groups
    C. It is easy to calculate since it is not necessary to arrange the data in any particular order
    D. The Median is recommended over the Mean if the distribution has unequal class intervals

20. The Engel curve for a Giffen good is

    A. positively sloped
    B. vertical
    C. negatively sloped
    D. horizontal

21. An Isoquant is derived assuming that
    A. There is perfect substitutability between the factors of production.
    B. There are an infinite number of techniques to produce a given quantity of output.
    C. Inputs are complementary.
    D. There are economies of scale in the production of output.

22. Country A can produce cars using eight workers in a day and a fridge using three workers in a day where as in country B a car requires six workers and a fridge requires two workers per day. Which of the following statement is true?

    A. Country A has a Comparative advantage in producing cars.
    B. Country B has a Comparative advantage in producing cars.
    C. Country A has a Comparative advantage in producing Fridge.
    D. Country A has comparative advantages in producing both car and fridge.

23. Say's Law in Classical Theory holds that:

    A. There is excess money supply in the economy in the long run.
    B. Bad money in the economy drives good money out of circulation.
    C. There is no general glut in the market in the long run.
    D. Capitalism always results in unemployment

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24. Classical macroeconomic theory combines
   A. Adam Smith and Ricardo's theories of value
   B. Marshall's demand curves and Fisher's Index Numbers
   C. Say's Law and Quantity Theory of money
   D. A theory of inflation and interest rates

25. Foreign Direct Investment in India is not yet allowed in:
   A. Multi-Brand Retail Trading.
   B. Setting up Educational institutions.
   C. Setting up Legal firms.
   D. All of the above areas.

PART- B (Answer all 75 questions)

26. The proposition that states that if factors of production are rewarded equal to their marginal product, they will exhaust the total product is also known as:
   A. Eluer's Theorem
   B. Wicksteed's product exhaustion theorem
   C. The Classical Theory of distribution
   D. None of the above are correct.

27. To counter inflationary pressures in the economy, one of the measures that Reserve Bank of India can undertake is to,
   A. decrease the Repo Rates and Reverse Repo rates
   B. increase the Repo Rates and Reverse Repo rates
   C. increase the Repo Rates but decrease Repo rates
   D. decrease the Repo Rates but increase the Repo rates

28. Backward-bending Labour Supply Curve in neoclassical theory is assumed to be because:
   A. workers see a trade-off between wages and profits
   B. workers see a trade-off between income and employment
   C. workers prefer leisure to work
   D. workers see a trade-off between savings and investment.

29. The Chief Economic Advisor to Ministry of Finance presently is:
   A. Montek Ahluwalia
   B. D.V. Subba Rao
   C. Kaushik Basu
   D. Amartya Sen

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30. Dearness Allowances of Central and State government employees is revised according to
    A. Consumer Price Index
    B. Wholesale Price Index
    C. Food grain Price Index
    D. Manufacturing Price Index

31. Dumping in international trade refers to a situation when

    A. a country dumps environmentally hazardous goods in neighboring country
    B. a country dumps goods in neighboring countries in large quantities
    C. a country sells goods at higher price in a neighboring country than the domestic price
    D. a country sells goods at lower price in a neighboring country than the domestic price of that country

32. IMF gives structural adjustment loans by imposing the conditions such as:
    A. Devaluation of overvalued exchange rate and reduction of fiscal deficit
    B. Introduction of land reforms
    C. Creation of more employment
    D. Increase in the Public Distribution System

33. Which of the following statement is TRUE in the case of a linear supply curve?

    A. If the supply curve intersects the Horizontal axis then elasticity of supply is less than unity
    B. If the supply curve intersects the Vertical axis then elasticity of supply is greater than unity
    C. If the supply curve intersects the origin then elasticity of supply is equal to unity
    D. All of the above are true statements.

34. It is given that P is a set of all positive integers and Q is a set of all negative integers. Then,
    A. "P intersection Q" is a null set
    B. "P union Q" is a null set
    C. "P intersection is Q" is the universal set
    D. All of the above

35. One box contains 8 white and 3 red balls. If two balls are drawn at random at a time without replacement, the probability that both are white is:
    A. $\dfrac{11}{29}$
    B. $\dfrac{45}{46}$
    C. $\dfrac{28}{55}$
    D. None of the above

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36. Which of the following is NOT a function?
   A. $Y = -2x + 7$
   B. $Y^2 = X$
   C. $Y = X^2$
   D. $Y = X$

37. If m: n = 3 : 2, then the ratio of (4m + 5n) : (4m − 5n) is:

   A. 30 : 20
   B. 11 : 1
   C. 6 : 5
   D. 9 : -1

38. The level of output q, at which the average cost (AC) will be minimum, where the AC = $q^2 - 5q + 8$ is,

   A. 8
   B. 2.5
   C. − 5
   D. None of the above

39. Frictional Unemployment is defined as
   A. having no jobs when workers are willing to work
   B. short-term movement of workers between jobs
   C. having no jobs due to changing seasons in agriculture
   D. unemployment due to business cycles

40. The value of Gini coefficient ranges from
   A. -1 to +1
   B. 0 to 1
   C. 0 to 100
   D. -100 to +100

41. The difference between Gross National Product (GNP) and Gross Domestic Product (GDP) is:
   A. GNP − GDP = Transfer payments
   B. GNP − GDP = Government taxes
   C. GNP − GDP = Imports and Exports
   D. GNP − GDP = Net Factor Income from Abroad

42. Suppose that economists estimate that consumers spend 80% of any increase in their disposable income. If the aggregate price level is fixed, and government spending increases from Rs.2 trillion to Rs.3 trillion in an year, the total change in GDP as a result of government spending is:

   A. Rs.10 trillion
   B. Rs.15 trillion
   C. Rs.5 trillion
   D. Rs. 1 trillion

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43. Which of the following statement is true?

A. Differentiability of a function is a necessary condition for the continuity of the function
B. Continuity is a necessary condition for differentiability of the function
C. continuity of a function is a sufficient condition for differentiability of the function
D. Differentiability of a function is both a necessary and sufficient condition for the continuity of the function

44. How many different samples of size n = 2 can be taken from a finite population of size n = 10?
A. 35
B. 40
C. 45
D. 65

45. Dynamic factors in trade refer to changes in:
A. Factor Endowments
B. Technology
C. Taste
D. All of the above

46. With an increase in money supply, the LM curve will
A. shift to the left
B. shift to the right
C. not shift at all
D. will become steeper

47. The concept of Sunk cost refers to:
A. Fixed Costs of production
B. The costs associated with the irrecoverable part of the fixed costs
C. Both variable and fixed costs that cannot be recovered
D. None of the above

48. Income velocity of money is measured as a ratio of:
A. Real GDP to stock of Money
B. Nominal GDP to stock of Money
C. Stock of Money to price level
D. Stock of money to Nominal GDP

49. The Keynesian formulation "Savings is a function of Income" is known as

A. Absolute Income Hypothesis
B. Permanent income Hypothesis
C. Life Cycle Income Hypothesis
D. Real income Hypothesis

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50. Which of the following market structure maximizes welfare?
   A. Discriminating monopolist
   B. Natural monopoly
   C. Monopoly
   D. Perfectly discriminating monopolist

51. In general, for normal goods, the relationship between Compensating Variation in Income (CV), Equivalent variation in Income, (EV) and a change in Consumer Surplus (ΔCS) for a price increase is given by,

   A. CV > EV > ΔCS
   B. EV > ΔCS > CV
   C. EV > CV > ΔCS
   D. CV > ΔCS > EV

52. According to latest estimates on poverty by Planning Commission, the Head Count Ratio poverty in India 2009-10 is
   A. 29.8%
   B. 37.5 %
   C. 41.4 %
   D. 23.5 %

53. Let Money be measured on the Y-Axis and commodity X on the x-axis in an indifference map between the two. If the *price consumption curve* for X commodity is horizontal then it implies that demand curve for this commodity is

   A. horizontal
   B. positively sloped
   C. vertical
   D. a rectangular hyperbola

54. Reverse Repo Rates in India refers to
   A. interest rate charged by RBI to commercial banks
   B. interest rate paid by RBI to commercial banks on securities
   C. interest rate charged by commercial banks to its lenders
   D. interest rates in money markets

55. In the theory of the firm, the shut down point is where:
   A. the market price is just sufficient to cover fixed cost
   B. the total cost is equal to total revenue
   C. the market price is just sufficient to cover average variable cost
   D. the firm makes only normal profits

56. If marginal propensity to consume is 0.75, then the income multiplier in the economy is:
   A. 4
   B. 3
   C. 5
   D. 6

57. An individual's Utility function is concave with respect to income. This implies that:
    A. The individual is a risk taker
    B. The individual is risk neutral
    C. The Individual is risk averse
    D. The Marginal Utility of money is constant

58. Structural adjustment in the medium term in macroeconomics refers to
    A. A policy of fiscal and money supply adjustment
    B. A policy of exchange rate adjustments
    C. A policy of rationalization of Subsidies
    D. All of the above

59. Applying the Marginal cost pricing rule to an Monopoly firm that experiences economies of scale over the relevant output range
    A. Results in welfare being maximized
    B. Results in a loss to the firm
    C. Results in an increase in profits to the monopoly
    D. Helps protect the monopoly from entry

60. In a Curnot Oligopoly model with two firms,
    A. Each firm assumes the strategy of the other firm to be given and fixed and incorporates this while making its decisions.
    B. Each firm negotiates with the other firm in reaching equilibrium.
    C. One firm sets the price/ quantity for the other firm to take as given while maximizing its profits.
    D. Both firms take independent decisions regardless of the other firm's decisions.

61. In an Infant-industry model of development:
    A. FDI is allowed in all sectors.
    B. FDI is restricted.
    C. Domestic industries are prevented from forming monopolies
    D. Quantitative and tariff protection is given to domestic firms.

62. Assuming a downward sloping linear demand curve and a constant Marginal cost of production, the dead weight loss due to monopoly pricing (as against the marginal cost pricing rule) is
    A. equal to the profits of the monopolist
    B. is roughly equal to 1/3 rd of the monopoly profits
    C. is equal to one half of the monopoly profits
    D. is equal to one fourth of monopoly profits

63. According to Marx, surplus value refers to:
    A. surplus of statutory minimum wages
    B. surplus labour over necessary labour of workers
    C. over time of workers
    D. none of the above.

64. Given two conformable matrices J and Z, which of the following is true?
    A. $JZ \neq ZJ$
    B. $J + Z \neq Z + J$
    C. $J - Z \neq -Z + J$
    D. All of the above are true

65. Technological progress refers to
    A. an increase in marginal productivity of labour and marginal productivity of capital
    B. the reduction in labour and capital to produce any level of output
    C. the shift of the Isoquant towards the origin
    D. All of the above

66. Which of the following is true of the Harmonic Mean as a measure of central tendency?
    A. Its value is based only on all of the observations of the sample
    B. It gives the largest weight to the smallest items.
    C. Its value cannot be computed when there are zero or both positive and negative items
    D. All of the above

67. A Random variable is defined as:
    A. A variable whose value changes over time
    B. A variable whose value can be predicted from a experiment
    C. A variable whose value is determined by a chance experiment
    D. None of the above constitutes a definition

68. Structural Inflation refers to:
    A. Cost Push inflation
    B. Demand Pull inflation
    C. Both A. and B.
    D. None of the above

69. The Global Financial Crisis in 2008 originated with:
    A. Huge US trade deficit
    B. Stagflation crisis in US
    C. High Unemployment in US
    D. Sub-prime crisis in the US housing market

70. If $MC = 2 - 0.4q + 3q^2$ is the marginal cost (MC) function of a firm where q is the level of output, the total variable cost (TVC) at q = 10 units will be:
    A. zero
    B. 100 units
    C. Cannot be calculated from the given data
    D. 1000 units

71. India's current income tax rates have the following slabs:
    A. 10%; 20% and 30%
    B. 20%; 30% and 50%
    C. 10%; 25% and 35%
    D. 10%; 25% and 45%

72. The sum total of deviations of the given set of observations from their arithmetic mean is
    A. always zero
    B. greater than zero
    C. between one and zero
    D. none of the above

73. MNREGA program essentially aimed at providing
    A. Minimum livelihoods in rural areas and 35 kg of PDS to poor families
    B. Minimum provision of 100 days of employment to anyone seeking work in rural areas
    C. Minimum provision of 100 days of employment to anyone seeking work in rural areas as well as in urban areas
    D. Universal coverage of PDS 35 kg and 100 days employment.

74. According to *The Economy Survey*, India's Real GDP at factor cost in the year 2011-12 has registered a growth rate of:
    A. 4.5%
    B. 9.2%
    C. 8.5%
    D. 6.9%

75. Theory of `creative destruction' under Capitalist development is proposed by:
    A. Alfred Marshall
    B. Schumacher
    C. Karl Marx
    D. Joseph Schumpeter

76. Which policy is based on the `Washington Consensus'?
    A. Policies of welfare to the poor.
    B. Policies of import substitution.
    C. Policies of employment creation.
    D. Policies of Liberalization.

77. For Normal goods,
    A. The Hicksian Demand curve is flatter than the Marshallian demand curve
    B. The Hicksian Demand curve is steeper than the Marshallian demand curve
    C. The Hicksian Demand curve coincides with the Marshallian demand curve
    D. The Hicksian Demand curve has the same slope as the Marshallian but parallel to it.

78. Chamberlin's theory of monopolistic competition assumes
    A. large number of sellers and buyers in the `group'
    B. products are differentiated, yet they are close substitutes
    C. free entry and free exit of firms in the `group'
    D. all of the above

79. Minimum Support Prices for agricultural commodities are announced on the basis of:

    A. Cost of Production
    B. Inter-crop price parity
    C. Inflationary situation in the country
    D. All of the above mentioned factors

80. The share of output in GDP of the informal sector in the India estimated by the National Sample Survey is:
    A. 90%
    B. 65%
    C. 13%
    D. 40%

81. When the law of diminishing returns begins to operate, the total variable cost curve begins to
    A. fall at an increasing rate
    B. rise at a decreasing rate
    C. fall at a decreasing rate
    D. rise at an increasing rate

82. The probabilities that a woman will buy a new dress for a party at three shops, 1, 2, 3 are 0.22, 0.18, 0.35 respectively. The probability that she will buy a new dress at one of these shops is:
    A. 0.50
    B. 0.33
    C. 0.75
    D. 0.25

83. The Aggregate Demand Curve is the Keynesian model is downward sloping because of:
    A. negative relation between price level and income
    B. Wealth effect and Interest Effect on Aggregate Expenditure
    C. Law of Diminishing Aggregate Marginal Utility
    D. All of the Above

84. Green Revolution technology in Indian Agriculture is observed to have created:
    A. Interregional disparities
    B. Intercrop disparities
    C. A skewed consumption pattern in favour of superior cereals
    D. All of the above

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85. Kuznet Curve is a relationship between:
    A. Growth and development
    B. Poverty and growth
    C. Poverty and inequality
    D. Inequality and income

86. There is a growing demand from developing countries that developed countries should reduce the subsidies in agriculture. This is known as an argument for:
    A. Free Trade
    B. Fair trade
    C. Equal trade
    D. Unequal trade

87. In order to make banking sector stronger to face financial risk, Basel –I norms suggested:
    A. An increase in deposit mobilization
    B. An increase in CRR and SLR
    C. An increase in the deposit-credit ratio
    D. An increase in the capital adequacy ratio

88. Capital Gains Tax is an example of
    A. Unit tax
    B. Ad volerum tax
    C. fixed tax
    D. value added tax

89. Kyoto Protocol 1997 is an international agreement for achieving:
    A. free trade
    B. trade stabilization
    C. a reduction in Greenhouse gas emissions
    D. Asian Trade Cooperation

90. FRBM 2005 fixed the fiscal deficit limit as:

    A. 9 %
    B. 6 %
    C. 3 %
    D. 0 %

91. Raja Chellaiah Committee was set in 1991 on:

    A. Banking Reforms
    B. Financial Sector Reforms
    C. Public Sector Reforms
    D. Tax Reforms

92. Female literacy rate in India according Census 2011 is
    A. 74.4%
    B. 64.5%
    C. 82.4 %
    D. 85%

93. Farmers' suicides in Indian agriculture have occurred in the post-reforms period in Indian economy partly due to
    A. Decreased share of institutional credit and falling terms of trade
    B. Increased production risk and increased cost of cultivation
    C. Falling productivity and reduced agricultural extension
    D. All of the above mentioned factors

94. The demand function for a certain text is given by $P = 20 - 0.0002Q$. What amount of output would the *author* like to be sold if he wants to sell as many books as possible?
    A. 5000
    B. 50,000
    C. 12,00
    D. 14,000

95. A natural monopoly is a market situation in which
    A. the firm sells natural resources
    B. a single firm supplies natural resources to an entire industry
    C. a single firm can supply the market output more efficiently than many firms
    D. none of the above

96. Indifference curves in demand analysis are convex to origin, which implies that
    A. consumer's preferences will change with substitution one commodity for the other.
    B. consumer prefers to give up more of a commodity for every additional unit of the other commodity
    C. consumer prefers to give up successively less of a commodity for every additional unit of the other commodity
    D. consumers substitute equally one commodity against the other.

97. The optimum level of output for a perfectly competitive firm is given by the point where
    A. Marginal Revenue equals Average Cost
    B. Average Cost equals Marginal Cost
    C. Marginal Revenue exceeds Marginal Cost by the greatest amount
    D. Marginal Revenue equals Marginal Cost and Marginal Cost is rising

98. When both the perfectly competitive firm and industry are in long run equilibrium

   A. $P = MR = SMC = LMC$
   B. $P = MR = SAC = LAC$
   C. $P = MR$ = lowest point on the LAC curve
   D. All of the above

   Where P = price of output, MR = Marginal Revenue, SAC Short Run Average Cost, SMC = Short Run Marginal Cost, LAC = Long Run Average Cost

99. The targeted Public Distribution System was introduced in:
   A. 1990
   B. 1985
   C. 1997
   D. 2000

100. Special Economic Zones in India are criticized on account of
   A. unfair land acquisition by the government
   B. being unconstitutional
   C. not having domestic laws applicable within the region
   D. All of the above

---X---